

POYNER & SPRUILL, L.L.P.  
ATTORNEYS AT LAW

Timothy W. Griffin

Direct Dial: 704/342-5251

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100 North Tryon Street  
Charlotte, North Carolina 28202-4010  
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Offices:  
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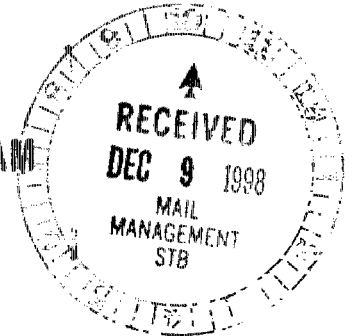
December 2, 1998

RECORDATION NO. 21950

FILED

JAN 11 1999

11-50AM



**VIA FEDERAL EXPRESS**

Surface Transportation Board  
12th & Constitutional Avenue, N.W.  
Washington, DC 20423

**DOCUMENTS FOR RECORDATION**

Re: Security Agreement

Dear Secretary:

Enclosed please find an original and two copies of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code. This document is a Security Agreement, primary document, dated December 10, 1997.

The names and addresses of the parties to the documents are as follows:

Lender:	Branch Banking & Trust Company Attn: Michael G. Carle, Vice President 6869 Fairview Road Charlotte, North Carolina 28210
Debtor:	Atlantic Transportation, L.L.C. 3337 Whistley Green Drive Charlotte, North Carolina 28269
Debtor:	Atlantic Locomotive Leasing, L.L.C. 3337 Whistley Green Drive Charlotte, North Carolina 28269

Set forth below is a description of the equipment covered by the Security Agreement as follows:

<u>Description of Locomotives</u>	<u>Road No.</u>	<u>Serial No.</u>
One GE Industrial Locomotive	1997	31866

POYNER & SPRUILL, L.L.P.

<sup>126.00</sup>  
A fee of ~~\$21.00~~ is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Poyner & Spruill, L.L.C., Attn: Timothy W. Griffin, 100 North Tryon Street, Suite 4000, Charlotte, North Carolina 28202-4010.

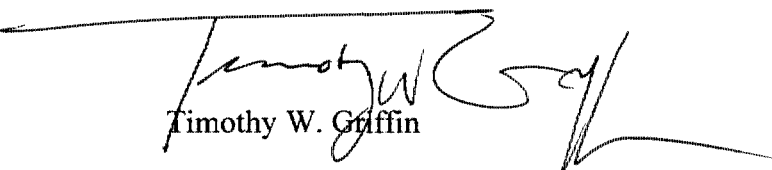
A short summary of the document to appear in the Index as follows:

Security Agreement between Branch Banking & Trust Company, as lender, and Atlantic Transportation, L.L.C., and Atlantic Locomotive Leasing, L.L.C., collectively, the debtor, dated December 10, 1997, and covering one (1) GE Industrial locomotive. Included in the property covered by the Security Agreement is a locomotive intended for use related to interstate commerce, or interest therein, owned by Atlantic Transportation, L.L.C., or Atlantic Locomotive Leasing, L.L.C., at the date of said mortgage or thereafter acquired by it or its successors as owners of the locomotive covered by the Security Agreement.

Please call me at (704) 342-5251 if you have any questions regarding this filing.

Sincerely,

POYNER & SPRUILL, L.L.P.

  
Timothy W. Griffin

TWG/sga

SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C. 20423-0001

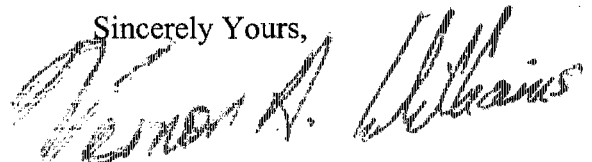
OFFICE OF THE SECRETARY

Timothy W. Griffin  
Poyner & Spruill, LLP  
100 North Tryon Street, Ste. 4000  
Charlotte, North Carolina 28202-4010

Dear Sir:

The enclosed documents (s) was recorded pursuant to the provisions of 49 U.S.C.  
11301 and CFR 1177.3 (c), on 1/11/99 at 11:50AM, and  
assigned recordation numbers (s): 21950 and 21951.

Sincerely Yours,



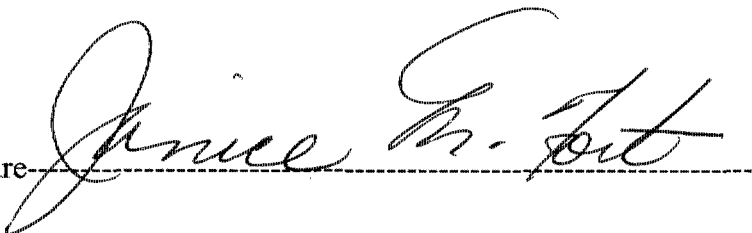
Vernon A. Williams

Enclosure(s) (2)

\$2.00

\$\_\_\_\_\_ The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid. In the event of an error or any questions concerning this fee, you will receive a notification after the Surface Transportation Board has an opportunity to examine your document.

Signature



JUN 11 '99

11-50AM

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement"), dated as of December 10, 1997, is made and entered into by and among Atlantic Locomotive Leasing, L.L.C. and Atlantic Transportation, L.L.C., each being a North Carolina limited liability company, (jointly and severally, the "Borrower" or "Debtor"), and BRANCH BANKING AND TRUST COMPANY, a North Carolina banking corporation ("Lender").

## WITNESSETH:

WHEREAS, Lender is making a loan (the "Loan") in an aggregate amount up to \$80,000.00 to Borrower, pursuant to that certain Commitment Letter/Loan Agreement dated November 25, 1997, by and between Borrower and Lender (the "Loan Agreement"); and

WHEREAS, in connection with the making of the Loan, Lender desires to obtain from Borrower and Borrower desires to grant to Lender a security interest in certain collateral more particularly described below.

## AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of Security Interest. Borrower hereby grants to Lender a security interest in all of Borrower's rights in and to the following described property and any and all cash and non-cash proceeds and products thereof and accessions thereto (collectively the "Collateral"):

(a) all accounts, accounts receivable, notes, bills, acceptances, choses in action, chattel paper, instruments, documents, and other forms of obligations at any time owing to the Debtor, the proceeds thereof including all of the proceeds in Debtor's rights with respect to any of its goods represented thereby, whether or not delivered, or returned by customers and all rights as an unpaid vendor or lienor, including rights of stoppage in transit and of recovering possession by proceedings including replevin and reclamation, together with all customer lists, books and records, ledgers, account cards, and other records including those stored on computer or electronic media, whether now in existence or hereafter created, relating to any of the foregoing (collectively referred to as "Accounts");

(b) all rights of the Debtor, now or hereafter arising, under contracts, leases, agreements, licenses, permits or other instruments, now or hereafter existing, to perform services, to

COPY

sell or purchase goods, to lease goods, to hold and use land and facilities, to operate its business as now or hereafter conducted and to enforce all rights thereunder, including, without limitation, that certain Locomotive Lease Agreement dated June 5, 1997 by and between Atlantic Locomotive Leasing, L.L.C. and PCS Phosphone Co., Inc. (the "Lease") (collectively, referred to as "Contract Rights");

(c) all goods of the Debtor, including without limitation, all machinery, equipment, specifically including but not limited to locomotives now owned or hereafter acquired by the Debtor and more particularly described on Exhibit A attached hereto, as such Exhibit A may be amended from time to time to reference additional locomotives purchased by the Debtor, parts, supplies, apparatus, appliances, patterns, molds, dies, blueprints, fittings, furniture, furnishings, fixtures and articles of tangible personal property of every description now or hereafter owned by the Debtor or in which the Debtor may have or may hereafter acquire any interest, including without limitation those located at, upon or about, or attached to, any of the real estate at which the Debtor conducts business, together with all books and records, abstracts of title, leases and all other contracts and agreements relating thereto or used in connection therewith (collectively referred to as "Equipment");

(d) all general intangibles of the Debtor, now existing or hereafter owned or acquired or arising or in which the Debtor now has or hereafter acquires any rights, including but not limited to, causes of action, corporate or business records, inventions, designs, patents, patent applications, trademarks, trademark registrations and applications therefore, goodwill, trade names, trade secrets, trade processes, copyrights, copyright registrations and applications therefor, licenses, permits, franchises, customer lists, computer program, all claims under guaranties, tax refund claims, rights and claims against carriers and shippers, leases, claims under insurance policies, all rights to indemnification and all other intangible personal property of every kind and nature (collectively referred to as "General Intangibles");

(e) all monies, residues and property of any kind, now or at any time or times hereafter, in the possession or under the control of the Lender or a bailee of Lender;

(f) all accessions to, substitutions for and all replacements, products and proceeds of the foregoing, including, without limitation, proceeds of insurance policies insuring the Collateral and condemnation awards relating thereto;

(g) all books and records (including without limitation, customer data, credit files, computer programs, printouts, and other computer materials and records of the Debtor pertaining to any of the foregoing).

2. Secured Indebtedness. The obligations secured hereby shall include (a) loans to be made concurrently or in connection with this Agreement or the Loan Agreement as evidenced by one or more promissory notes payable to the order of Lender that shall be due and payable as set forth in such promissory notes, and any renewals or extensions thereof, (b) the full and prompt payment and performance of any and all other indebtedness and other obligations of Borrower to Lender, direct or contingent (including but not limited to obligations incurred as indorser, guarantor or surety), however evidenced or denominated, and however and whenever incurred, now or later existing, including but not limited to indebtedness incurred pursuant to any present or future commitment of Lender to Borrower and any and all future advances regardless of the class of such future advances, and (c) all future advances made by Lender for taxes, levies, insurance and preservation of the Collateral and all attorney's fees, court costs and expenses of whatever kind incident to the collection of any of said indebtedness or other obligations and the enforcement and protection of the security interest created hereby.

3. Representations, Warranties and Agreements of Borrower. Borrower represents, warrants and agrees as follows:

(a) Borrower will promptly notify Lender, in writing, of any change in Borrower's place or places of business if the Collateral is used in business, or of any change in Borrower's residence if the Collateral is not used in business, and regardless of use, of any change in the location of the Collateral or any records pertaining thereto.

(b) Borrower is the owner of the Collateral free and clear of any liens, security interests, claims and encumbrances, contingent or otherwise. Borrower will defend the Collateral against the claims and demands of all persons.

(c) Borrower will pay to Lender all amounts secured hereby as and when the same shall be due and payable, whether at maturity, by acceleration or otherwise, and will promptly perform all terms of said indebtedness and this or any other security or loan agreement between Borrower and Lender, and will promptly discharge all said liabilities.

(d) Borrower will at all times keep the Collateral insured against all insurable hazards in amounts required by the Loan Agreement. Such insurance shall be obtained from such companies as may be acceptable to Lender, with provisions satisfactory to Lender for payment of all losses thereunder to Lender as its interests may appear. Subject to any provisions of the Loan Agreement with respect to the disposition of insurance proceeds: (i) on or after the occurrence of an Event of Default, any money received by Lender under said policies may be applied to the payment of any indebtedness secured hereby; and (ii) if no

Event of Default has occurred, the proceeds of any insurance shall be delivered by Lender to Borrower for the purpose of repairing or restoring the Collateral. Borrower assigns to Lender all right to receive proceeds of insurance not exceeding the amounts secured hereby, directs any insurer to pay all proceeds directly to Lender, and appoints Lender as Borrower's attorney in fact to endorse any draft or check made payable to Borrower in order to collect the benefits of such insurance. If Borrower fails to keep the Collateral insured as required by Lender, Lender shall have the right to obtain such insurance at Borrower's expense and add the cost thereof to the other amounts secured hereby.

(e) Borrower will pay all costs of filing of financing, continuation and termination statements with respect to the security interests created hereby, and Lender is authorized to do all things that it reasonably deems necessary to perfect and continue perfection of the security interests created hereby and to protect the Collateral.

(f) The address set forth after Borrower's signature on this Agreement is Borrower's principal place of business and the location of all tangible Collateral and the place where the records concerning all intangible Collateral are kept and/or maintained. Borrower also has places of business as described in the Loan Agreement.

In addition, each Borrower makes the additional representations set forth in Exhibit B and Exhibit C, respectively.

4. Severability. If any provision of this Agreement is held invalid, such invalidity shall not affect the validity or enforceability of the remaining provisions of this Agreement.

5. Binding Effect. This Agreement shall inure to the benefit of Lender's successors and assigns and shall bind Borrower's heirs, representatives, successors and assigns.

6. Termination Statement. Borrower agrees that, notwithstanding the payment in full of all indebtedness secured hereby and whether or not there is any outstanding obligation of Lender to make future advances, Lender shall not be required to send Borrower a termination statement with respect to any financing statement filed to perfect Lender's security interest(s) in any of the Collateral, unless and until Borrower shall have made written demand therefor. Upon receipt of proper written demand, Lender may at its option, in lieu of sending a termination statement to Borrower, cause said termination statement to be filed with the appropriate filing officer(s).

7. Protection of Collateral. Borrower will not permit any liens to attach to any of the Collateral, nor permit any of the Collateral to be levied upon under any legal process, nor permit

anything to be done that may impair the security intended to be afforded by this Agreement, nor permit any tangible Collateral to become attached to or commingled with other goods without the prior written consent of Lender.

8. Special Agreements With Respect to Certain Tangible Collateral. Borrower additionally agrees and warrants as follows:

(a) Borrower will not permit any of the tangible Collateral to be removed from the location specified herein, other than the diesel locomotive and equipment attached hereto, without the prior written consent of Lender, and will permit Lender to inspect the Collateral at any reasonable time during normal business hours.

(b) Borrower will notify Lender thirty (30) days in advance of any change in the location of Borrower's principal place of business.

(c) Borrower will not sell, exchange, lease or otherwise dispose of any of the Collateral or any interest therein without the prior written consent of Lender, other than in its ordinary course of business.

(d) Borrower will keep the Collateral in good condition and repair, ordinary wear and tear excepted, and will pay and discharge all taxes, levies and other impositions levied thereon as well as the cost of repairs to or maintenance of same, and will not permit anything to be done that may materially impair the value of any of the Collateral (ordinary wear and tear excepted). If Borrower fails to pay such sums, Lender may do so for Borrower's account and add the amount thereof to the other amounts secured hereby.

(e) Until the occurrence of an event of default, Borrower shall be entitled to possession of the Collateral and to use the same in any lawful manner, provided that such use does not cause excessive wear and tear to the Collateral, cause it to decline in value at an excessive rate, or violate the terms of any policy of insurance thereon.

9. Special Agreements With Respect to Intangible and Certain Tangible Collateral. Borrower and Lender additionally agree as follows:

(a) Lender's security interest hereunder shall attach to all proceeds of all sales or other dispositions of the Collateral. If at any time any such proceeds shall be represented by any instruments, chattel paper or documents of title, then such instruments, chattel paper or documents of title shall be promptly delivered to Lender and shall be subject to the security interest granted hereby. If at any time any of Borrower's inventory is



represented by any document of title, such document of title will be delivered promptly to Lender and shall be subject to the security interest granted hereby.

(b) By the execution of this Agreement, Lender shall not be obligated to do or perform any of the acts or things provided in any contracts covered hereby (including the Lease) that are to be done or performed by Borrower, but if there is a default by Borrower in the payment of any amount due in respect of any indebtedness secured hereby, then Lender may, at its election, perform some or all of the obligations provided in said contracts to be performed by Borrower, and if Lender incurs any liability or expenses by reason thereof, the same shall be payable by Borrower upon demand and shall also be secured by this Agreement.

(c) At any time after the occurrence of an event of default, Lender shall have the right to notify any account debtors obligated on any or all of Borrower's accounts receivable and any others obligated to Borrower under any leases, including the Lease or other contracts to make payment thereof directly to Lender, and to take control of all proceeds of any such accounts and proceeds of contract rights. Until such time as Lender elects to exercise such right Borrower is authorized, as agent of the Lender, to collect and enforce said accounts.

10. Power of Attorney. Borrower hereby constitutes the Lender or its designee, as Borrower's attorney-in-fact with power, upon the occurrence and during the continuance of an Event of Default, to endorse Borrower's name upon any notes, acceptances, checks, drafts, money orders, or other evidences of payment or Collateral that may come into either its or the Lender's possession; to collect payments on the Lease; to sign the name of Borrower on any invoice or bill of lading relating to any of the accounts receivable, drafts against customers, assignments and verifications of accounts receivable and notices to customers; to send verifications of accounts receivable; to notify the Post Office authorities to change the address for delivery of mail addressed to Borrower to such address as the Lender may designate; to execute any of the documents referred to in Section 3(e) hereof in order to perfect and/or maintain the security interests and liens granted herein by Borrower to the Lender; and to do all other acts and things necessary to carry out this Security Agreement. All acts of said attorney or designee are hereby ratified and approved, and said attorney or designee shall not be liable for any acts of commission or omission (other than acts of gross negligence or willful misconduct), nor for any error of judgment or mistake of fact or law; this power being coupled with an interest is irrevocable until all of the obligations secured hereby are paid in full and any and all promissory notes executed in connection therewith are terminated and satisfied.

11. Casualty and Liability Insurance Required. (a) Borrower will keep the Collateral continuously insured against such risks as are customarily insured against by businesses of like size and type engaged in the same or similar operations. The insurance:

(i) shall be by such insurer (or insurers) as shall be financially responsible, qualified to do business in North Carolina of recognized standing and reasonably acceptable to Lender;

(ii) shall be in such form and have such provisions (including, without limitation, the loss payable clause, the waiver of subrogation clause, the deductible amount, if any, and the standard mortgagee endorsement clause), as are generally considered standard provisions for the type of insurance involved and are acceptable in all respects to Lender;

(iii) shall prohibit cancellation, termination or lapse in coverage by the insurer without at least 30 days' prior written notice to Lender;

(iv) shall provide that the interest of Lender shall not be impaired or invalidated by any act or neglect of Borrower nor by the occupation of the premises wherein such Collateral is located for purposes more hazardous than are permitted by said policy;

(v) without limiting the generality of the foregoing, all insurance policies carried on the Collateral shall name Lender as mortgagee, loss payee and a party insured thereunder.

(b) Prior to expiration of any such policy, Borrower shall furnish Lender with evidence satisfactory to Lender that the policy or certificate has been renewed or replaced or is no longer required by this Security Agreement.

12. Events of Default. It is understood and agreed that the occurrence of any one or more of the following shall constitute an "Event of Default" hereunder, and shall entitle Lender to take such actions as are elsewhere provided in this Security Agreement: (a) an event of default under the Loan Agreement or any loan document given in connection with the Loan Agreement or any note executed in favor of the Lender shall have occurred; or (b) any representation, warranty or covenant made by Borrower herein, in the Loan Agreement or in any other existing or future agreement with Lender shall prove to have been false in any material respect when made or is breached, violated, or not complied with; or (c) any uninsured damage to or loss, theft or destruction of any of the Collateral shall occur which shall materially adversely affect the value of the Collateral as a whole. For purposes of this Security

Agreement, the term "Default" shall mean any event which constitutes an Event of Default or which but for the lapse of time or giving of notice, or both, would constitute an Event of Default.

13. Rights and Remedies Upon Default. Upon and after an Event of Default, the Lender shall have the following rights and remedies, all of which may be exercised with or without notice to Borrower:

(a) To exercise all rights and remedies provided to Lender under the Loan Agreement upon the occurrence of an "Event of Default" under the Loan Agreement, including the right to declare the Loan, and have the same become, immediately due and payable;

(b) All of the rights and remedies of a secured party under the Uniform Commercial Code of the state where such rights and remedies are asserted, or under other applicable law, all of which rights and remedies shall be cumulative, and none of which shall be exclusive in addition to any other rights and remedies contained in this Security Agreement, the Loan Agreement, or any other documents, certificates or agreements delivered by Borrower in connection with the Loan Agreement (collectively, the "Loan Documents");

(c) The right to foreclose the liens and security interests created under this Security Agreement by any available judicial procedure or, to the extent permitted by law, without judicial process;

To the extent permitted by law, Lender may thereupon enter Borrower's premises without legal process and without incurring liability to Borrower (except for damage to the premises caused by the gross negligence or willful misconduct of the Lender) and remove all or part of the Collateral, and sell any or all of such Collateral, whether in its then condition or after further preparation or processing, either at public or private sale, with or without notice and with or without advertisement, in lots or in bulk, for cash or for credit, at any time or place, in one or more sales, and upon such terms and conditions as Lender may elect. At any such sale, Lender may be the purchaser.

The proceeds from any sale shall first be applied to any costs and expenses in securing possession of the Collateral, storing, repairing and finishing for sale, and to any expenses in connection with the sale. The remaining proceeds will then be applied toward the payment of any and all of the Loan, including interest, reasonable and actual attorneys' fees and all other costs and expenses with such application to principal or interest in Lender's absolute discretion. Any deficiency will be paid to Lender forthwith upon demand.

14. Rights and Remedies Cumulative; Non-Waiver; Etc. The enumeration of Lender's rights and remedies set forth in this Security Agreement is not intended to be exhaustive and the exercise by Lender of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder, or under any other agreement between Borrower or Lender or which may now or hereafter exist in law or in equity or by suit or otherwise. No delay or failure to take action on the part of Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default.

15. Supplemental Documentation. At Lender's request, Borrower shall execute and deliver to Lender, at any time or times hereafter, all documents, instruments and other written matter that Lender may reasonably request to perfect and maintain perfected Lender's security interest in the Collateral in form and substance acceptable to Lender, and pay all charges, expenses and fees Lender may reasonably incur in filing any of such documents, and all taxes relating thereto.

16. Definitions and Governing Law. All terms used herein shall be defined in accordance with the appropriate definitions appearing in the Uniform Commercial Code as in force in the State of North Carolina, or if not otherwise defined herein, as defined in the Loan Agreement, and such definitions are hereby incorporated herein by reference and made a part hereof. This Security Agreement shall be governed in all respects by, and construed in accordance with, the laws of the State of North Carolina, including without limitation the Uniform Commercial Code of the State of North Carolina.

IN WITNESS WHEREOF, Borrower and Lender have executed this Agreement, or have caused this Agreement to be executed as of the date first above written, and the seal of the Borrower to be affixed hereto and adopted as its seal.

BORROWER:

ATLANTIC LOCOMOTIVE LEASING, L.L.C.

John D. Miller  
By: John D. Miller  
Title: Member/Manager

Address: 3337 Whistley Green Drive  
Charlotte, NC 28269

ATLANTIC TRANSPORTATION, L.L.C.

John D. Miller  
By: John D. Miller  
Title: Member/Manager

Address: 3337 Whistley Green Drive  
Charlotte, NC 28269

LENDER:

BRANCH BANKING AND TRUST COMPANY

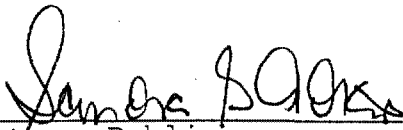
Michael G. Carle  
By: Michael G. Carle  
Name: Michael G. Carle  
Title: Vice President

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, a Notary Public of the County and State aforesaid, do hereby certify that John D. Miller, a member/manager of Atlantic Transportation, L.L.C., personally appeared before me this day and acknowledged the due execution of the foregoing instrument and acknowledged that he executed the same as his free act and deed.

Witness my hand and official stamp or seal, this the 19th day of December, 1997.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

My Commission Expires June 11, 2003.

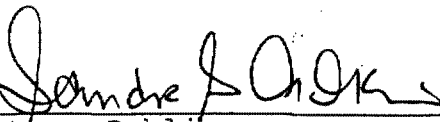
(SEAL)

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, a Notary Public of the County and State aforesaid, do hereby certify that John D. Miller, a member/manager of Atlantic Locomotive Leasing, L.L.C., personally appeared before me this day and acknowledged the due execution of the foregoing instrument and acknowledged that she executed the same as her free act and deed.

Witness my hand and official stamp or seal, this the 19th day of December, 1997.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

My Commission Expires June 11, 2003.

(SEAL)

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, a Notary Public for said County and State aforesaid, do hereby certify that Michael G. Carle personally appeared before me this day, who, being by me duly sworn, says he is Vice President of Branch Banking and Trust Company, a North Carolina banking corporation, that the seal affixed to the foregoing instrument in writing is the corporate seal of said corporation, that said writing was signed and sealed by him in behalf of said corporation by its authority duly given, and that the said Michael G. Carle acknowledged the said writing to be the free act and deed of the corporation.

Witness my hand and official stamp or seal, this the 19 day of December, 1997.

Dwight L. Hiltner  
Notary Public

My Commission Expires:

9/26/99  
(SEAL)

EXHIBIT A

LOCOMOTIVE

<u>Description of Locomotive</u>	<u>Road No.</u>	<u>Serial No.</u>
One GE Industrial Locomotive	1997	31866



EXHIBIT B  
TO  
SECURITY AGREEMENT  
FROM ATLANTIC LOCOMOTIVE LEASING, L.L.C.  
ATLANTIC TRANSPORTATION, L.L.C. DEBTOR IN FAVOR OF  
BRANCH BANKING AND TRUST COMPANY

Additional Representations of Debtor

- I. The exact legal name of the Debtor are:  
  
Atlantic Locomotive Leasing, L.L.C.  
Atlantic Transportation, L.L.C.
- II. The Debtor's Federal Employer I.D. Numbers have been delivered to Bank.
- III. If the Debtor has changed its name since it was formed, its past legal names were: None
- IV. The Debtors use in its business and has rights to use the following trade names: Atlantic Locomotive
- V. The Debtors are organized under the laws of the State of North Carolina and is in good standing under those laws.
- VI. The Debtors are qualified to transact business in the following states: North Carolina, South Carolina
- VII. The Debtors have their chief executive office and principal place of business at 3337 Whistley Green Drive, Charlotte, North Carolina. Debtor maintains all of its records with respect to its Accounts at that address, except as follows: None
- VIII. The Debtors also have places of business at:  
  
(a) Highway 29 North, Williamston, SC

# ATLANTIC LOCOMOTIVE

*Div of Atlantic Transportation, L.L.C.*

## LOCOMOTIVE LEASE AGREEMENT

THIS AGREEMENT, made and entered into this 5 TH day of JUNE, 1997, by and between "Atlantic Locomotive Leasing, L. L. C., a North Carolina Limited Liability Company, having its principal office at 3337 Whistley Green Drive, Charlotte, North Carolina, 28269, (hereinafter referred to as "Lessor") and "PCS Phosphate Co., Inc." a Delaware corporation, having an office at East Garfield Street, Weeping Waters, NE, (hereinafter referred to as "Lessee"):

### RECITALS

**WHEREAS,** Lessee desires to lease from Lessor for use in its business operations the locomotive hereinafter described upon the terms and conditions herein set forth; and

**WHEREAS,** Lessor agrees to furnish the locomotive hereinafter described and is willing to lease the same to Lessee upon the terms and conditions herein set forth.

**NOW THEREFORE,** the parties hereto, for and in consideration of the mutual covenants and promises herein set forth and other good and valuable consideration, receipt and sufficiency of which is acknowledged, agree as follows:

**1. LOCATION OF USE AND DESCRIPTION OF LOCOMOTIVE.** Lessor leases and lets unto Lessee and Lessee accepts and takes from Lessor for use at its PCS Phosphate Co., Inc. Feed Products Operation, Weeping Waters, NE, one locomotive identified as General Electric 80 ton industrial switcher No. 1997 (the "Locomotive").

**2. LEASE TERM AND SCHEDULE OF RENTAL CHARGES.** This Locomotive Lease Agreement shall extend for an initial term of three years commencing with the acceptance of possession of the Locomotive by Lessee (which event shall be acknowledged in a writing executed by the parties hereto), and shall continue from month to month after the conclusion of such initial term until terminated by either party hereto by such party giving to the other party ninety (90) days' notice in writing of its election to terminate this Lease. In such event, this lease shall terminate at the expiration of said ninety (90) day period following notice. Commencing on the date Lessee takes possession of the Locomotive, and thereafter during the term herein until possession of said Locomotive is surrendered to Lessor, Lessee shall pay Lessor for rental of said Locomotive each month this Agreement is in effect. Rental will be paid by Lessee to Lessor on or before the 1st day of each calendar month for the current calendar month's rental. The amount of monthly rental during the term of this Agreement will be as hereafter set forth in the Rental Chart for each months of the applicable Contract Year in question.

*Specializing In Locomotives Since 1974*

RENTAL CHART

<u>Period</u>	<u>Unit No.</u>	<u>Monthly Rental Rate</u>
Three Years	1997	\$3,200.00

3. **RESPONSIBILITY OF LESSOR.** Lessor shall, at its expense, maintain the locomotives for dependable operating service, shall provide inspections and preventative maintenance service, shall supply all replacement parts, and shall perform all major repairs, periodic inspections, and filter changes. Periodic maintenance will include the inspection, service and repair of all mechanical, electrical and pneumatic operating systems and will include, when necessary, the renewal of filters, adjustment of brakes, oil sampling, engine air box inspection, air brake system testing and safety appliance review. The Locomotives will be kept in a safe and good operating condition during the term of this Lease. If a locomotive fails to operate, Lessor will make timely repairs to locomotive advising Lessee of the estimated time leased locomotive will be out of service. Lessee shall pay all ad valorem and sales taxes applicable to and on the Locomotive.

4. **RESPONSIBILITY OF LESSEE.** Other than damage produced by Lessor, including its employees, agents, and representatives, the Lessee shall be responsible for all physical damage to the Locomotive from any cause, other than normal wear and latent defects, while Locomotive is in the possession of Lessee. This shall include, but not necessarily be limited to damages resulting from collision, accidents, derailments, vandalism and from the negligence of the Lessee or Lessee's employees, agents or subcontractors, or from the acts or omissions of the Lessee or its employees, agents or subcontractors. Lessee's liability for damage to the Locomotive shall not exceed the sum of \$120,000.00 (one hundred twenty thousand and no cents), per incident or occurrence. The Lessee will supply the Locomotive with fuel, lubricating oil, water sand and other current operating supplies in accordance with Lessor's specifications as may be needed. The Lessee will perform minor repairs and routine maintenance of adding lubricating oils, adjusting brake pistons, when needed, and protecting the Locomotive cooling water from freezing. The Lessee shall make the locomotive available for maintenance during normal working hours (8:00 am - 5:00 pm, Monday through Friday), and provide all lifting equipment.

5. **NOTICE OF DEFECTS.** Lessee shall notify Lessor promptly of any defects requiring repairs as observed by the Lessee. Lessee will permit Lessor's employees or agents on Lessee's property for the purpose of making inspection of or repairs to the Locomotive. Lessor will make prompt repairs to the Locomotive.

6. OPERATION BY QUALIFIED PERSONNEL. Lessee is solely responsible for the safe operation of the Locomotive and for insuring that personnel involved with the Locomotive, including but not limited to those involved in the operations and maintenance of the Locomotive, are qualified and properly supervised:

7. OPERATION ONLY IN SAFE LOCATION. Lessee is solely responsible for determining where and when the Locomotive shall be operated.

8. RISK OF LOSS AND INSURANCE.

(A) Except as otherwise provided herein, all risk of loss or damage to the Locomotive shall be borne by the Lessee.

(B) The Lessee shall, at its own expense, keep the Locomotive insured at a value of \$120,000.00 against fire, theft, damage or destruction and for product liability and public liability risks with insurance carriers qualified to do businesses in the state of Nebraska. The insurance carrier will show the Lessor and its bank as loss payee.

9. RESPONSIBILITIES. As between the parties hereto and subject to the other provisions hereof, except for losses, damages, expenses for liabilities caused by Lessor's negligence or malfunction, misconduct or failure to perform hereunder, Lessee shall be responsible for any and all losses, damages, expenses and liabilities which may arise out of Lessee's operation and use of the Locomotive.

10. FREIGHT. Lessee shall pay inbound freight charges incurred in delivery of the Locomotive to the Lessee's siding at its PCS Phosphate Co., Inc. Feed Products Operation at Weeping Waters, NE. The Lessee will pay the outbound freight charges when this Lease is terminated and the Locomotive is shipped to Lessor's shop in Chester, South Carolina.

11. POSSESSION. Possession of the Locomotive shall pass to Lessee as of the moment the Locomotives arrive on Lessee's Weeping Waters, NE railroad siding track. Possession of the Locomotive shall be re-acquired by Lessor when the Locomotive leave the Lessee's siding after the termination of the Lease for whatever reason.

12. NO IMPLIED REPRESENTATIONS OR WARRANTIES. The parties hereto acknowledge and agree that the Lessor is not a manufacturer of Locomotive. It is further acknowledged that the Lessor makes no representation, promises, statements, or warranties, expressed or implied, with respect to the merchantability, suitability, or fitness for purposes of the Locomotive or otherwise. Notwithstanding the foregoing, failure of the Lessor to provide consistent, dependable service as provided herein will constitute grounds for Lessee to cancel this Locomotive Lease Agreement without any further liability hereunder.

13. INVALID PROVISION. Any provision of this Locomotive Lease Agreement found to be prohibited by law shall be ineffective to the extent of such prohibition without invalidating the rest of this Locomotive Lease Agreement.

14. CONSTRUCTION. The validity, construction and enforcement of this Locomotive Lease Agreement shall be governed by the laws of the State of North Carolina.

15. COMPLETE AGREEMENT. This Locomotive Lease Agreement contains the entire understanding between the parties and such understanding may not be modified or terminated except in a writing signed by the parties.

16. NOTICES. All notices shall be in writing and delivered in person to an officer of the party to which such notice is being given or mailed by registered or certified mail to such party at the address first above written, or to such other address as may be hereafter specified by like notice by either party to the other.

17. BINDING EFFECT. This Locomotive Lease Agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, executors, administrators, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the Lessor and the Lessee have each caused these presents to be duly executed the day and year first above written.

"ATLANTIC LOCOMOTIVE LEASING, L.L.C"

By: John D. Miller  
Member-Manager

ATTEST

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"PCS PHOSPHATE COMPANY, INC."

By: William H. Dwyer

ATTEST

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